Fannie Mae

Fannie Mae Sustainability Accounting Standards Board (SASB) Report

2020

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1. Introduction

About us

Fannie Mae is a leading source of financing for mortgages in the United States, with approximately $4.0 trillion in assets as of December 31, 2020. Originally organized in 1938, our charter is an act of Congress. As a government-sponsored enterprise ("GSE"), we have a mission under our charter to provide liquidity and stability to the residential mortgage market and to promote access to mortgage credit. For more than 80 years, Fannie Mae has helped millions of people across the United States buy or rent a home. We have been under conservatorship, with the Federal Housing Finance Agency ("FHFA") acting as our conservator, since September 6, 2008.

We do not originate mortgage loans or lend money directly to borrowers in the primary mortgage market. Rather, as a federally chartered corporation, we operate in the secondary mortgage market primarily working with lenders who originate loans to borrowers. We purchase and securitize those loans into Fannie Mae mortgage-backed securities that we guarantee.

Effectively managing credit risk is key to our business. Our revenues are primarily driven by guaranty fees we receive for assuming the credit risk on loans underlying the mortgage-backed securities we issue.

We have two reportable business segments: Single-Family and Multifamily. The Single-Family Business operates in the secondary mortgage market purchasing and securitizing mortgage loans that are secured by properties containing four or fewer residential dwelling units. The Multifamily business operates in the secondary mortgage market purchasing and securitizing mortgage loans that are secured by properties containing five or more residential units. For more information about our business, please see our Annual Report on Form 10-K ("2020 Form 10-K") filed with the Securities and Exchange Commission on February 12, 2021.

Our ESG strategy

Our environmental, social, and governance ("ESG") strategy builds on our mission to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America. Our ESG strategy evaluates ways we can create even greater positive environmental and social impact through what we do every day as a part of our core business. Our strategy is informed by the ESG issues most relevant to our business (e.g., energy-efficient and affordable housing), market conditions, and globally recognized ESG standards. In early 2020, we demonstrated our commitment to our ESG strategy by setting it as one of the three strategic objectives in our enterprise strategic plan. To underscore the importance of ESG to our business, many of the company's performance objectives for 2020 executive and employee compensation were related to ESG matters (see "Item 11. Executive Compensation" in our 2020 Form 10-K).

We believe responsible business practices are critical to the achievement of our business strategy — benefiting borrowers, the communities we serve, our planet, our company, our partners, and those who invest in our products. Our ESG strategy is underpinned by regular, transparent reporting. This is our first report under the Sustainability Accounting Standards Board ("SASB") standards and is a milestone in our journey to build a robust ESG reporting framework. As a member of the SASB Alliance, we look forward to publishing SASB-aligned reporting annually. More information on these programs and ESG matters more broadly can be found on pages 185 – 187 in our 2020 Form 10-K.

Incorporating ESG factors in products and services

ESG considerations are proactively integrated into our operations, investments, products, decision-making, revenue generation, and other core functions of the business. Fannie Mae remains diligent in maintaining a resilient business model in good and bad economic cycles while delivering on our regulatory requirements and actively engaging with our regulator. The Single-Family and Multifamily Selling and Servicing Guides lay out policies and standards for loans purchased by Fannie Mae. We seek to ensure credit standards are inclusive and support sustainable homeownership and that properties are kept in good condition and are properly insured throughout the life of the loan. After mortgage purchase, we help keep borrowers and renters in their homes through educational resources that inform people about renting and stable homeownership while working with mortgage servicers to provide options that help prevent foreclosure in times of unforeseen crisis or life events.

We work to ensure that homeowners, prospective homebuyers, and renters across the country have access to affordable housing. Our mission inspires us to use our market presence to help preserve and increase the supply of quality affordable housing wherever we can. Our intent is to enable access to affordable and green financing, support the financial resiliency of homeowners, and increase the resilience of single-family and multifamily properties to better withstand natural disasters.

Through our Single-Family Business, we offer mortgage products that can responsibly lower the down payment barrier to homeownership for eligible first-time and low-income borrowers. We also help address critical issues related to the shortage of affordable housing and access to credit in rural markets and underserved communities. More details on the mortgage products that support these efforts can be found on our website.

Through our Multifamily business, we offer mortgage products that preserve existing affordable properties, support the creation of additional workforce housing units, and serve the broader multifamily market. In 2018, Fannie Mae resumed its Low-Income Housing Tax Credit ("LIHTC") investments, which are a reliable source of capital for affordable rental housing and underserved markets. Additionally, financial incentives are provided for borrowers that incorporate health-promoting design features and practices or resident services in newly constructed or rehabilitated multifamily affordable rental properties. Examples include community gardens and resident services like child education and academic support. More details on the mortgage products that support these efforts can be found on our website.

Housing affordability

In 2020, we financed approximately 374,000 owner-occupied home purchase mortgages to low- and very low-income borrowers (25% of home purchase mortgages acquired) and approximately 442,000 rental units affordable to low- and very low-income families (56% of multifamily units financed). Our dedication to enabling access to affordable housing is a part of our mission and spans decades. More information on the results of our affordable housing activities can be found in our Annual Housing Activities Report and Annual Mortgage Report.

Green, Social, and Sustainable Bonds

Fannie Mae has been a leading issuer of green bonds since issuing our first Multifamily Green Bond in 2012. From 2012 through 2020, we financed nearly $88 billion in Multifamily Green Bonds. In 2020, we began issuing Single-Family Green MBS that include mortgage loans backed by newly constructed single-family residential homes with ENERGY STAR®[1] certifications that meet or exceed the national program requirements for ENERGY STAR® Certified Homes, Version 3.0. As of December 31, 2020, we had issued $94 million in Single-Family Green MBS. Both our Single-Family and Multifamily Green Bond frameworks were reviewed and received a Light Green rating from CICERO Shades of Green, a second opinion provider. More information on the positive environmental, social, and economic impacts achieved through our Green Bonds can be found in our Green Bond Impact Reports on our website.

In November 2020, in alignment with International Capital Markets Association ("ICMA") Green Bond and Social Bond Principles, we published our Sustainable Bond Framework, which enables Fannie Mae to offer reputable Single-Family and Multifamily Green Bonds,

[1] ENERGY STAR® is a registered trademark of the U.S. Environmental Protection Agency.

Social Bonds, or a combination of Green and Social (Sustainable Bonds) to the capital markets. The framework received a second party opinion from Sustainalytics, which determined the framework is credible, impactful, and in alignment with ICMA's Sustainability Bond Guidelines 2018, the latest guideline at the time of the opinion.

Commitment to diversity

We value a diverse workforce and inclusive workplace. Our mission to be a leader in diversity and inclusion across the financial services industry includes harnessing the power of a diverse workforce to enable Fannie Mae to achieve optimal business results and expanding opportunities for diverse suppliers, vendors, and business partners to grow their business. Fannie Mae's diversity and inclusion strategic plan lays out a set of commitments: to foster a diverse and inclusive workplace; to attract, engage, and retain a diverse workforce; to attract a diverse set of suppliers, vendors, and business partners; to develop a diverse set of capital markets and financial transaction partners; and to advance systemic racial equity within the housing industry.

Our commitments include leveraging Fannie Mae's position in the marketplace to promote diversity, equity, and inclusion in the housing finance industry. Through programs such as ACCESS®, the Appraisal Diversity Initiative, Future Housing Leaders®, and our supplier diversity efforts, we create opportunities to improve diversity across the housing industry.

2. Sustainability Accounting Standards Board ("SASB") Index & Metrics

Scope of report

The information included herein are as of and for the years ended December 31, 2020, 2019, and 2018, unless otherwise noted.

Management's responsibility and assertion

Management of Fannie Mae is responsible for the completeness, accuracy, and validity of the information presented in this SASB Report as of and for the years ended December 31, 2020, 2019, and 2018. Management is also responsible for the selection or development of the criteria, which management believes provide an objective basis for measuring and reporting on the specified metrics referenced in the SASB Index below. Management of Fannie Mae asserts that the specified metrics referenced in the SASB Index as of and for the years ended December 31, 2020, 2019, and 2018 are presented in accordance with the criteria set forth in the SASB Index.

Limited assurance

Fannie Mae engaged Deloitte & Touche LLP ("Deloitte") to perform a review engagement on management's assertion related to the specified metrics referenced in the SASB Index as of and for the years ended December 31, 2020, 2019, and 2018. Deloitte's report can be found at the end of this SASB report.

SASB alignment

SASB[2] is an independent nonprofit organization that sets standards to guide the disclosure of material[3] sustainability information by companies to their investors. The SASB reporting standards are sector-specific, covering ESG reporting criteria for 77 different industries. Each SASB Standard defines a minimum set of ESG-related topics that SASB considers reasonably likely to affect a company's long-term performance based on the industry it operates within. For Fannie Mae, the most relevant industry group is the Mortgage Finance (FN-MF) industry.

Fannie Mae's position in the secondary mortgage market makes some of the risks and opportunities in our business model unique compared to companies that originate loans or lend money directly to borrowers in the primary mortgage market. In an effort to provide transparency on topics representative of other important facets of our business, we evaluated additional SASB Industry-specific

[2] In June 2021, the Sustainability Accounting Standards Board merged with the International Integrated Reporting Council to form the Value Reporting Foundation. Following this merger, in November 2021, the creation of the International Sustainability Standards Board (ISSB) was announced by the IFRS Foundation, with the intent to fully integrate the Value Reporting Foundation, which houses the SASB Standards, by June 2022.

[3] The inclusion of information contained in this report should not be construed as a characterization regarding the materiality or financial impact of that information. Please also see Fannie Mae's Annual Report on Form 10-K (2020 Form 10-K) filed with the Securities and Exchange Commission on February 12, 2021 and other publicly filed documents available at https://www.fanniemae.com/about-us/investor-relations/quarterly-and-annual-results.

Standards. SASB's Sustainable Industry Classification System ("SICS") places Fannie Mae in the Mortgage Finance (FN-MF) industry; however, utilizing our ESG materiality assessment, we identified the following relevant SASB Industry-specific Standards for inclusion within this report:

- Mortgage Finance (FN-MF);
- Commercial Banks (FN-CB); and
- Investment Banking and Brokerage (FN-IB).

SASB Index

The SASB Index below provides a consolidated list of specified metrics and the related SASB criteria. SASB recognizes that certain accounting metrics may be infeasible to disclose in the near term for some entities. The SASB encourages entities to use the standards to guide investor disclosures even in the event that certain disclosure topics and/or associated metrics are omitted or modified. Where applicable, Fannie Mae has made certain modifications to SASB Mortgage Finance metrics to align with our operations in the secondary mortgage market. See footnote on the respective disclosure page of each metric for a description of the nature and rationale for modification. Furthermore, Fannie Mae has omitted certain SASB Mortgage Finance metrics. The nature and rationale for each omitted metric is described in further detail on the page noted within the table below.

SASB Criteria	Specified Metrics		
SASB Code and Metric	**Location**	**Modified or Omitted**	**Metric**
Lending practices			
FN-MF-270a.1 — (1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660.	P. 9	Modified to replace "residential" with "single-family." Footnote 4 describes rationale for metric modification.	(1) Number and (2) value of single-family mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660.
FN-MF-270a.2 — (1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660.	P. 10	Modified to replace "residential" with "single-family" and "short sales" with "pre-foreclosure sales." Footnote 8 describes rationale for metric modification.	(1) Number and (2) value of (a) single-family mortgage modifications, (b) foreclosures, and (c) pre-foreclosure sales, or deeds in lieu of foreclosure by FICO scores above and below 660.
FN-MF-270a.3 — Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators.	N/A	Omitted; metric is not applicable as Fannie Mae does not originate loans or lend directly to borrowers.	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators.
FN-MF-270a.4 — Description of remuneration structure of loan originators.	P. 11	—	Description of remuneration structure of loan originators.
Discriminatory lending			
FN-MF-270b.1 — (1) Number, (2) value, and (3) weighted average loan-to-value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660.	P. 11	Modified to specify "single-family" mortgages, "issued" to "purchased" and "owner-occupied." Footnote 13 describes rationale for metric modification.	(1) Number, (2) value, and (3) weighted average loan-to-value (LTV) ratio of single-family owner-occupied mortgages purchased by Fannie Mae related to (a) minority and (b) all other borrowers, by FICO scores above and below 660.
FN-MF-270b.2 — Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending.	P. 13	Modified to replace "lending" with "practices." Footnote 18 describes rationale for metric modification.	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage practices.
FN-MF-270b.3 — Description of policies and procedures for ensuring nondiscriminatory mortgage origination.	P. 13	Modified to specify "single-family" mortgage origination. Footnote 19 describes rationale for metric modification.	Description of policies and procedures for ensuring nondiscriminatory single-family mortgage origination.

SASB Criteria	Specified Metrics		
SASB Code and Metric	Location	Modified or Omitted	Metric
Environmental risk to mortgaged properties			
FN-MF-450a.1 — (1) Number and (2) value of mortgage loans in 100-year flood zones.	P. 14	Modified to specify "loans requiring flood insurance at origination." Footnotes 20 and 21 describe rationale for metric modification.	(1) Number and (2) value of mortgage loans requiring flood insurance at the time of origination by (a) single-family and (b) multifamily properties.
FN-MF-450a.2 — (1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency due to weather related natural catastrophes, by geographic region.	P. 15	Omitted; see metric section for additional details.	(1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency due to weather related natural catastrophes, by geographic region.
FN-MF-450a.3 — Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting.	P. 15	—	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting.
Activity metric			
FN-MF-000.A — (1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial.	N/A	Omitted; metric is not applicable, as Fannie Mae does not originate loans or lend directly to borrowers.	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial.
FN-MF-000.B — (1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial.	P. 16	Modified to replace "residential" with "single-family" and "commercial" with "multifamily." Footnote 25 describes rationale for metric modification.	(1) Number and (2) value of mortgages purchased by category: (a) single-family and (b) multifamily.
Data security			
FN-CB-230a.2 — Description of approach to identifying and addressing data security risks.	P. 17	—	Description of approach to identifying and addressing data security risks.
Systemic risk management			
FN-CB-550a.2 — Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.	P. 18	—	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.
Employee diversity and inclusion			
FN-IB-330a.1 — Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.	P. 20	—	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.
Business ethics			
FN-IB-510a.2 — Description of whistleblower policies and procedures.	P. 22	—	Description of whistleblower policies and procedures.
Professional integrity			
FN-IB-510b.4 — Description of approach to ensuring professional integrity, including duty of care.	P. 23	—	Description of approach to ensuring professional integrity, including duty of care.

Lending practices

FN-MF-270a.1 **— (1) Number and (2) value of single-family mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (“ARM”), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO® Scores above or below 660.**[4]

Certain Characteristics of Outstanding Single-Family Guaranty Book of Business[5]

	Number of Loans As of December 31,			Unpaid Principal Balance As of December 31,		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
					(Dollars in millions)	
Hybrid or Option ARM:[6]						
FICO ≤ 660	**9,512**	11,507	14,022	**$ 729**	$ 943	$ 1,243
As a % of total outstanding Single-Family Guaranty Book of Business:	**0.05 %**	0.07 %	0.08 %	**0.02 %**	0.03 %	0.04 %
FICO > 660	**52,660**	65,977	85,485	**$ 6,851**	$ 9,335	$ 13,070
As a % of total outstanding Single-Family Guaranty Book of Business:	**0.30 %**	0.39 %	0.50 %	**0.21 %**	0.32 %	0.45 %
Higher rate:[7]						
FICO ≤ 660	**78,649**	50,892	52,740	**$ 10,615**	$ 5,065	$ 4,512
As a % of total outstanding Single-Family Guaranty Book of Business:	**0.45 %**	0.30 %	0.31 %	**0.33 %**	0.17 %	0.16 %
FICO > 660	**199,217**	62,180	47,529	**$ 35,782**	$ 8,075	$ 4,837
As a % of total outstanding Single-Family Guaranty Book of Business:	**1.15 %**	0.37 %	0.28 %	**1.12 %**	0.27 %	0.17 %
Total outstanding Single-Family Guaranty Book of Business:						
FICO ≤ 660	**1,282,203**	1,413,073	1,541,362	**$ 169,678**	$ 186,621	$ 202,799
As a % of total outstanding Single-Family Guaranty Book of Business:	**7.40 %**	8.31 %	9.01 %	**5.30 %**	6.32 %	6.98 %
FICO > 660	**16,037,815**	15,594,858	15,558,318	**$ 3,032,941**	$ 2,767,098	$ 2,703,190
As a % of total outstanding Single-Family Guaranty Book of Business:	**92.60 %**	91.69 %	90.99 %	**94.70 %**	93.68 %	93.02 %
Prepayment Penalty:						
Prior to 2013, we purchased a small population of loans with prepayment penalties as part of negotiated transactions. In 2013, we announced that loans with prepayment penalties are no longer eligible for purchase in connection with the Ability-to-Repay/Qualified Mortgage Rule provisions published by the Consumer Financial Protection Bureau. Any loan previously acquired with a prepayment penalty has seasoned beyond the effective date of the penalty. As a result, we exclude these loans from our reporting of this metric.						

[4] Modified to clarify that the type of “residential” mortgage represented is related to Fannie Mae’s Single-Family business only. The data reported by lenders to Fannie Mae is based upon FICO scores determined at the time of loan origination.

[5] The total population of loans in our outstanding Single-Family Guaranty Book of Business includes conventional loans as well as loans guaranteed or insured, in whole or in part, by the U.S. government or one of its agencies.

[6] Hybrid ARMs in the SASB standard are defined as mortgages with interest rate resets, or initial fixed-rate periods, of less than five years. Hybrid ARMs with an initial fixed-rate period of five or more years are not included. Option ARMs, as defined by the SASB standard, are any ARM loan with terms which allow for negative amortization or interest-only payments. Fannie Mae no longer acquires loans with negative amortization or interest-only payment options. ARMs with a negative amortization feature have not been acquired since 2007. ARMs with interest-only payment options have not been acquired since 2014.

[7] Treasury (“Tsy”) benchmark data was sourced from the U.S. Department of Treasury website except 30-Tsy data for years 2002 – 2006 (available internally). Loans with an original maturity of ≤15 years were compared to 10-Tsy, between 15 to 30 years to 20-Tsy, and those ≥30 to 30-Tsy. Higher Rate categorization was determined by comparing the loan rate to the average Treasury benchmark rate in the month prior to the origination month to align with the mortgage rate-lock period for the comparison period.

Loans with a higher rate

Fannie Mae does not originate loans or lend money directly to borrowers in the primary mortgage market. We operate in the secondary market by acquiring loans from lenders post-origination in order to provide liquidity to the mortgage markets. Higher rate originations are defined by SASB as loans with interest rates 300 basis points or more above the U.S. Department of Treasury rate of comparable maturity.

In addition to the SASB metric described above, the mortgage finance industry evaluates higher-priced mortgage loans as defined by the Truth in Lending Act as loans with Annual Percentage Rates (“APRs”) 150 basis points or more above the Average Prime Offer Rate published by the Federal Financial Institutions Examination Council. For the purposes of this report, Fannie Mae is utilizing the SASB metric definition of higher rate.

FN-MF-270a.2 — (1) Number and (2) value of (a) single-family mortgage modifications, (b) foreclosures, and (c) pre-foreclosure sales, or deeds-in-lieu of foreclosure, by FICO® Scores above and below 660.[8,9]

The table below displays the number and unpaid principal balance of single-family loan modifications, foreclosure alternatives, which include pre-foreclosure sales and deeds-in-lieu of foreclosure, and foreclosures completed during the reported year. This table does not include loans in active forbearance arrangements, trial modifications, loans to certain borrowers who have received bankruptcy relief, and informal repayment plans.

Single-Family Loan Modifications, Foreclosure Alternatives, and Foreclosures

	Number of Loans For the Year Ended December 31,			Unpaid Principal Balance For the Year Ended December 31,		
	2020	2019	2018	**2020**	2019	2018
				(Dollars in millions)		
Single-family mortgage modifications:[10,11]						
FICO ≤ 660	**49,098**	18,853	40,094	**$ 8,293**	$ 2,802	$ 5,772
FICO > 660	**240,829**	27,769	63,231	**53,041**	4,898	10,831
Pre-foreclosure sales:						
FICO ≤ 660	**608**	765	1,118	**$ 117**	$ 147	$ 222
FICO > 660	**1,461**	2,079	2,923	**296**	397	604
Foreclosures:[12]						
FICO ≤ 660	**1,393**	4,909	6,483	**$ 158**	$ 612	$ 825
FICO > 660	**4,070**	14,609	17,609	**628**	2,349	2,787
Deed-in-lieu of foreclosure:						
FICO ≤ 660	**138**	295	630	**$ 17**	$ 40	$ 90
FICO > 660	**456**	854	1,373	**66**	120	204

8 Modified to reflect Fannie Mae vernacular by updating “short sales” to “pre-foreclosure sales” and clarify that the type of “residential” mortgage represented in the disclosure is related to Fannie Mae’s Single-Family Business only.

9 FICO score at loan origination does not impact borrower eligibility determinations for loss mitigation or foreclosure outcomes. Rather, these events are assessed in accordance with our Servicing Guide and applicable law.

10 For borrowers with FICO scores below or equal to 660, single-family mortgage modifications represented less than 4% of the total Single-Family Guaranty Book of Business for borrowers with FICO scores below or equal to 660 by number of loans and less than 5% by unpaid principal balance in all periods presented. For borrowers with FICO scores above 660, single-family mortgage modifications represented less than 2% of the total Single-Family Guaranty Book of Business for borrowers with FICO scores above 660 by number of loans and by unpaid principal balance, respectively, for all periods presented.

11 Payment deferrals are included in the modifications data. The payment deferral workout option allows the borrower to defer past-due payments, without interest, to the end of the loan term.

12 FICO scores are unavailable for a population of reverse mortgage foreclosures. Fannie Mae ceased acquiring reverse mortgage loans in 2010. For this table, these loans were categorized as FICO > 660.

In 2020, we instituted a number of relief programs to assist borrowers, lenders, and servicers managing the negative impacts of the COVID-19 pandemic, including: providing payment forbearance (that is, a temporary suspension or reduction of the borrower's monthly mortgage payments) and loan modification options to borrowers experiencing COVID-19-related financial hardships; suspending most foreclosures and evictions; and conducting outreach efforts to provide borrowers with information on the relief options available to them, including our Here to Help media campaign and updating our KnowYourOptions.com website. The increase in mortgage modifications in 2020 was primarily due to the increase in borrower relief efforts to help those negatively impacted by the pandemic. The decline in foreclosures and foreclosure alternatives in 2020 was primarily due to the suspension of foreclosures.

FN-MF-270a.4 **— Description of remuneration structure of loan originators.**

Fannie Mae does not provide compensation to loan originators. The discussion below summarizes Fannie Mae's guidance and minimum standards for Lenders/Sellers.

Single-Family

Sellers are required to comply with all federal, state, and local laws that apply to any of its origination, selling, or servicing practices. This includes ensuring that their loan originator compensation practices comply with the loan originator compensation provisions of the Truth in Lending Act and Regulation Z, and that loan originators comply with these requirements when presenting loan options to consumers (see Single-Family Selling Guide A3-2-01, Compliance With Laws and A3-2-02, Responsible Lending Practices).

Multifamily

Lenders delivering multifamily loans to Fannie Mae are required to charge a minimum origination fee based on the size of the loan being delivered. Lenders must collect the minimum origination fee and retain at least 50% of the fee. Any portion of the origination fee in excess of the Retained Portion may be used by the lender to pay correspondent or broker fees for the origination of the mortgage loan.

Discriminatory lending

FN-MF-270b.1 **— (1) Number, (2) value, and (3) weighted average loan-to-value (LTV) ratio of single-family owner-occupied mortgages purchased by Fannie Mae[13] related to (a) minority and (b) all other borrowers, by FICO® Scores above and below 660.[14]**

We operate in the secondary mortgage market, primarily working with lenders and servicers. We do not originate loans or lend money directly to consumers in the primary mortgage market. Fannie Mae requires lenders and servicers of loans to comply with applicable laws and regulations, including the Fair Housing Act, Equal Credit Opportunity Act, and related anti-discrimination regulations.

[13] Modified to clarify that the type of "residential" mortgage represented in the disclosure consists of single-family, owner-occupied mortgage acquisitions to better align with disclosures in our Annual Mortgage Report. Also, Fannie Mae is not a lender; therefore, the metric has been modified to specify that reported mortgages are acquired by Fannie Mae through a purchase or lender swap transaction.

[14] Fannie Mae conducts its underwriting analysis uniformly and without regard to race, gender, or other prohibited factors in our automated underwriting system, Desktop Underwriter® ("DU®").

Single-Family Owner-Occupied Mortgage Purchases by Race or Ethnicity of Borrower(s)[15]										
	Number of Loans For the Year Ended December 31,			Unpaid Principal Balance For the Year Ended December 31,			Weighted Average LTV[16] For the Year Ended December 31,			
	2020	2019	2018	2020	2019	2018	2020	2019	2018	
Borrower Race or Ethnicity:				(Dollars in millions)						
American Indian or Alaskan Native	**27,006**	12,800	11,625	$ **7,275**	3,226	2,621	**73.95**	77.97	77.82	%
FICO > 660	**25,879**	11,828	10,244	**7,022**	3,026	2,363	**73.97**	78.14	78.24	
FICO ≤ 660	**1,125**	969	1,373	**253**	199	257	**73.15**	75.37	74.02	
FICO Not Available	**2**	3	8	**—**	1	1	**70.65**	80.00	72.11	
Asian	**383,606**	153,302	106,745	**138,553**	52,084	33,028	**68.01**	74.49	75.63	
FICO > 660	**378,609**	148,903	101,588	**137,019**	50,791	31,615	**67.97**	74.50	75.72	
FICO ≤ 660	**4,956**	4,336	5,087	**1,524**	1,277	1,395	**71.83**	74.21	73.73	
FICO Not Available	**41**	63	70	**10**	16	18	**74.09**	75.12	74.22	
Black or African American	**157,409**	91,056	82,250	**42,295**	22,613	18,291	**78.49**	82.02	82.09	
FICO > 660	**148,365**	82,075	69,678	**40,115**	20,679	15,869	**78.60**	82.36	82.77	
FICO ≤ 660	**9,014**	8,947	12,542	**2,173**	1,929	2,417	**76.46**	78.44	77.63	
FICO Not Available	**30**	34	30	**7**	5	5	**77.98**	78.69	76.58	
Native Hawaiian or Other Pacific Islander	**17,513**	8,505	6,869	**5,803**	2,676	1,974	**71.75**	76.47	77.24	
FICO > 660	**16,910**	7,967	6,158	**5,623**	2,522	1,791	**71.80**	76.69	77.68	
FICO ≤ 660	**598**	535	707	**179**	153	182	**69.93**	72.83	72.96	
FICO Not Available	**5**	3	4	**1**	1	1	**75.89**	64.83	80.19	
Hispanic or Latino	**443,190**	228,216	182,501	**125,398**	59,998	43,209	**75.06**	79.52	79.92	
FICO > 660	**424,796**	211,626	161,497	**120,925**	56,230	38,817	**75.12**	79.72	80.34	
FICO ≤ 660	**18,282**	16,454	20,889	**4,449**	3,740	4,368	**73.49**	76.62	76.21	
FICO Not Available	**112**	136	115	**24**	28	24	**78.07**	76.46	80.63	
White — Non-Hispanic or Latino	**2,891,128**	1,357,603	1,113,900	**784,423**	346,569	255,418	**71.78**	76.66	77.95	
FICO > 660	**2,822,758**	1,300,513	1,037,545	**769,120**	334,638	240,759	**71.77**	76.74	78.13	
FICO ≤ 660	**67,580**	56,228	75,453	**15,156**	11,770	14,497	**72.31**	74.40	74.96	
FICO Not Available	**790**	862	902	**147**	161	162	**76.04**	75.45	75.78	
Total Mortgage Purchases — Minority Borrowers	**981,408**	472,959	374,353	**304,252**	134,332	94,928	**72.29**	77.93	78.77	
FICO > 660	**949,067**	442,946	335,335	**296,122**	127,355	86,672	**72.25**	78.00	79.02	
FICO ≤ 660	**32,159**	29,778	38,797	**8,090**	6,926	8,208	**73.82**	76.51	76.08	
FICO Not Available	**182**	235	221	**40**	51	48	**76.87**	75.95	77.60	
Information not provided[17]	**551,411**	234,275	189,431	**164,362**	65,324	46,734	**69.62**	75.01	76.02	
FICO > 660	**537,000**	222,562	173,269	**160,831**	62,624	43,341	**69.62**	75.16	76.33	
FICO ≤ 660	**14,346**	11,602	16,037	**3,516**	2,676	3,367	**69.61**	71.58	72.05	
FICO Not Available	**65**	111	125	**15**	24	26	**70.81**	77.81	76.57	

[15] Borrowers are asked to report both race and ethnicity on their loan application. Borrower categories for applications are based on whether any of the four possible borrowers identify as Hispanic or Latino, or a race other than white. Individual race and ethnicity categories are not mutually exclusive and do not sum to 100%. For example, if there are two borrowers on a mortgage, one of whom identifies as Black and one as Asian, the loan information would be counted as part of both Black and Asian categories. Similarly, if a borrower identifies with more than one race or ethnicity, the borrower will be included in each group, with the exception of borrowers who identify as non-Hispanic white. FICO is based upon the FICO associated with the loan origination and not attributed to individual borrowers in cases where there is more than one borrower.

[16] Weighted average loan-to-value is calculated based upon the race and ethnicity category for each borrower for the applicable loan, so data for a single loan may appear in multiple rows.

[17] This category consists of mortgages where borrower race and/or ethnicity information was not provided at loan origination.

FN-MF-270b.2 — Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage practices.[18]

Fannie Mae did not incur any material monetary losses as a result of legal proceedings associated with discriminatory mortgage practices. Fannie Mae separately tracks settlements and judgments of $100,000 or more in cases involving allegations of discriminatory mortgage practices. Since 2018, it has not had any such settlements or judgments.

FN-MF-270b.3 — Description of policies and procedures for ensuring nondiscriminatory single-family mortgage origination.[19]

Fannie Mae operates in the secondary mortgage market and does not originate loans or lend money directly to borrowers. However, we require our lender partners, who do lend money directly to borrowers, to comply with:

- Our Selling Guides, which prescribe all requirements lenders must follow in order to sell loans to us;
- All federal, state, and local laws and regulations that apply to its origination practices, including the Fair Housing Act and the anti-discrimination provisions of the Equal Credit Opportunity Act; and
- All other related state and federal regulations.

When delivering loans to Fannie Mae, lenders provide representations and warranties that assert their compliance with our Selling Guide and all applicable laws, including anti-discrimination laws and regulations. Thereafter, all lenders must attest to us on an annual basis that they have policies and procedures in place, including regular training for employees and contractors, to facilitate and monitor compliance with these laws and confirm they have notified Fannie Mae of any breaches of selling representations and warranties relating to compliance with laws such as the Fair Housing Act and Equal Credit Opportunity Act.

In general, to help ensure compliance across applicable policies and procedures, lenders must have effective quality control programs for ongoing assessment of their loan origination activities and associated processes as a requirement of doing business with Fannie Mae. The lender's quality control ("QC") program must be completed by an independent and unbiased function and include a documented QC plan that outlines requirements for validating loans are originated in accordance with applicable federal, state, local laws, and regulations as well as Fannie Mae's Selling Guide. Lenders who fail to maintain an effective loan origination QC program will be in breach of their contractual obligations with Fannie Mae.

[18] Modified to replace "mortgage lending" with "mortgage practices" because Fannie Mae does not originate or lend money directly to borrowers.

[19] Modified to clarify that policies and procedures described are reflective of our single-family standards given our multifamily borrowers are primarily Single-Asset Entities and Limited Liability Companies.

Environmental risk to mortgaged properties

***FN-MF-450a.1* — (1) Number and (2) value of mortgage loans requiring flood insurance at the time of origination[20] by (a) single-family and (b) multifamily properties.[21]**

As required by federal law,[22] in our Single-Family and Multifamily Selling Guides, it is a requirement that flood insurance be maintained if a property is in a Special Flood Hazard Area ("SFHA") flood zone, a Coastal Barrier Resource System ("CBRS"), or Otherwise Protected Area ("OPA"). We require the seller/servicer or lender to determine whether the property is located in such an area at origination and, if so, to ensure that the property securing the mortgage is protected by flood insurance in accordance with Fannie Mae standards. Sellers choose the due diligence provider to determine whether flood insurance is required and must provide representations and warranties to us that all insurance is in compliance with our guidelines at loan delivery. In addition, loan servicers are required to monitor the Federal Emergency Management Agency ("FEMA") maps for the life of all loans to identify instances where flood insurance was not needed at origination but is later required because of a mapping change. Conversely, in instances where flood insurance is no longer required due to a FEMA map change or amendment, loan servicers are required to release coverage requirements.

Our Mortgage Origination Risk Assessment ("MORA") process, and loan servicing practices through our Servicer Total Achievement and Reward™ ("STAR™") Program, periodically assesses seller/servicer compliance with our single-family property insurance requirements. In the MORA process, Fannie Mae selects organizations for review on a quarterly and annual basis and provides advance notice to the organization prior to scheduling the review. Compliance with our multifamily property insurance requirements is assessed through biennial lender audits. In the event of an uninsured loss, we may require a seller/servicer to repurchase a mortgage loan that constitutes a breach of either selling representations and warranties or servicing obligations with respect to establishing and maintaining insurance coverage in accordance with our requirements.

Single-Family and Multifamily Loans Requiring Flood Insurance at Origination

	Number of Loans As of December 31,			Unpaid Principal Balance As of December 31,		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
					(Dollars in millions)	
Single-Family:						
Flood-insured loans	**585,415**	600,428	617,278	**$ 105,117**	$ 101,713	$ 102,253
Total outstanding Guaranty Book of Business	**17,320,018**	17,007,931	17,099,680	**3,202,619**	2,953,719	2,905,989
Insured % of total:	**3 %**	4 %	4 %	**3 %**	3 %	4 %
Multifamily:[23]						
Flood-insured loans	**1,977**	1,838	1,771	**$ 55,113**	$ 47,770	$ 42,554
Total outstanding Guaranty Book of Business	**28,656**	27,989	28,174	**384,547**	338,800	305,923
Insured % of total:	**7 %**	7 %	6 %	**14 %**	14 %	14 %

[20] Modified to encompass all properties requiring flood insurance, per our Selling Guide and as noted by the Seller, at the time of origination. Furthermore, federal law creates a special category of land located in coastal areas. Irrespective of whether such areas are also in the 100-year flood plain, Fannie Mae requires flood insurance for all residences located in these areas.

[21] Modified to specify Single-Family and Multifamily mortgages.

[22] National Flood Insurance Act of 1968, as amended.

[23] For multifamily loans, one loan can cover multiple properties. If one property under that loan requires flood insurance at origination, the unpaid principal balance of the entire loan is included in this table.

FN-MF-450a.2 — (1) Total expected loss and (2) Loss Given Default (LGD) attributable to mortgage loan default and delinquency due to weather-related natural catastrophes, by geographic region.

Total expected losses and LGD are not disclosed in this year's report as we continue to work toward producing projected loss estimates specific to weather-related events. Estimating expected losses and LGD attributable to weather-related factors is complex, evolving in nature, and requires a number of key assumptions related to drivers of credit performance. We understand the importance of evaluating the risk of potential loss attributable to weather-related natural catastrophes on our business. We established a Climate Impact team to assess climate-related risks and identify best practices and strategies to mitigate the impacts such events can have on our Guaranty Book, sellers, servicers, and borrowers. We are exploring the ability to estimate and communicate our exposure across a variety of natural catastrophes in a way that is both reasonable and consistent with industry best practices.

FN-MF-450a.3 — Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting.[24]

The topic of climate risk is complex, and the industry is evolving. As a congressionally chartered entity, Fannie Mae is obligated to support residential mortgage liquidity nationwide. With very rare exceptions (e.g., at-risk properties in communities not participating in the National Flood Insurance Program, and homes in Hawaii in lava zones 3 – 9), Fannie Mae does not currently disqualify any single-family or multifamily property on the basis of its geographic location in the United States (including Puerto Rico, the U.S. Virgin Islands, and Guam). For severe weather-related events (e.g., hurricanes, winds, storms, floods, droughts, and wildfires), Fannie Mae has a set of requirements to manage these risks in both our Single-Family and Multifamily Selling and Servicing Guides. For flood insurance specifically, Fannie Mae relies on SFHAs determined by FEMA to identify properties with at least a 1% chance of having a significant flood event in any given year.

In the event of a natural disaster, Fannie Mae's Disaster Response Network™ can help (at no cost) eligible homeowners and renters navigate the broader financial impacts of disaster and the challenging recovery process with a team of HUD-approved housing counselors. Additionally, Fannie Mae requires seller/servicers to have business continuity and disaster recovery plans that consider adverse conditions such as a storm or fire impacting their consumer-facing business operations.

Fannie Mae continues to focus on about the evolving impacts of climate change and, in 2020, we established dedicated resources to better understand the financial impacts of climate change on mortgage loan performance and mortgage loan origination, underwriting, and securitization processes. In 2021, we created and appointed a new position of Chief Climate Officer to further demonstrate our commitment to integrating climate change risks and opportunities into our overall strategy.

Single-Family

For our Single-Family Business, Fannie Mae requires that lenders selling loans to us ensure that each property has insurance in accordance with our requirements at the time of loan closing. Sellers must then provide representations and warranties to us that the insurance is in compliance with our guidelines at loan delivery. Fannie Mae loan servicers are responsible for ensuring that proper levels of insurance remain in place for the life of the loan. Fannie Mae's guidelines for general property insurance coverage (which protects against loss or damage from fire and other hazards covered by the standard extended coverage policy) and flood insurance (for collateral property located in an SFHA) can be found in the Single-Family Selling and Servicing Guides. The coverage must provide for claims to be settled on a replacement cost basis. Fannie Mae does not accept property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement. Deductibles payable by consumers may not exceed 5% of the face amount of the insurance policy. To protect both Fannie Mae and consumers, we permit only insurance companies meeting Fannie Mae ratings requirements.

[24] Fannie Mae does not originate or underwrite mortgage loans; however our Single-Family and Multifamily Selling and Servicing Guides include underwriting requirements for loans sold to Fannie Mae.

In addition, Fannie Mae performs periodic operational compliance reviews of loan seller origination practices, including compliance with Fannie Mae property insurance requirements through our MORA process, and loan servicing practices through our STAR™ Program. In the event of an uninsured loss, we may require a seller/servicer to repurchase a mortgage loan that constitutes a breach of either selling representations and warranties or servicing obligations with respect to establishing and maintaining insurance coverage in accordance with our requirements.

Multifamily

For our Multifamily Business, each property must be covered by compliant property insurance and liability insurance for the term of the mortgage loan, including windstorm and flood (if the property is located in an SFHA), and earthquake (where applicable). If the borrower fails to maintain any required insurance on a property, the lender must obtain the required coverage on behalf of the borrower. Should a lender fail to satisfy any servicing requirements, Fannie Mae has the right under the lender contract and its Multifamily Selling and Servicing Guide to require a lender to repurchase a loan, indemnify us, or adjust the designated loss level. Insurance requirements and guidance related to individual exposures are outlined in the Multifamily Selling and Servicing Guide. Fannie Mae typically audits each lender for insurance compliance on a biennial basis and requires lenders to remedy deficient findings.

Activity metric

FN-MF-000.B **— (1) Number and (2) value of mortgages purchased by category: (a) single-family and (b) multifamily.[25]**

Single-Family and Multifamily Liquidity[26]

	Number of Loans (SF) or Units (MF) As of December 31,			Unpaid Principal Balance As of December 31,		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
	(in thousands)			(Dollars in millions)		
Single-Family:						
Purchase loans	**1,481**	1,224	1,205	**$ 411**	$ 313	$ 291
Refinance loans	**3,375**	1,069	713	**948**	283	156
Multifamily:						
Rental units[27]	**792**	726	777	**$ 76**	$ 70	$ 65

In 2020, historically low interest rates drove the substantial increase in refinance volumes for single-family loans.

Multifamily loans are presented using the number of units financed, rather than loan count, as loans financing five or more units are considered multifamily, which vary substantially in amount based upon the size and type of residential housing financed through the loan. We believe the number of rental units provides a more uniform basis of comparison period over period for this metric. In addition, the number of units financed is also used when measuring our performance in achieving our FHFA housing goals.

[25] Modified to reflect Fannie Mae's vernacular of single-family and multifamily instead of "residential" and "commercial."

[26] Includes only conventional loans acquired in the years presented.

[27] Multifamily data are presented in units of residential housing, not loan count; multifamily loans may include those used to finance apartment communities, cooperative properties, seniors housing, dedicated student housing or manufactured housing communities.

Data security

FN-CB-230a.2 **— Description of approach to identifying and addressing data security risks.**

Cybersecurity risk management

We have developed and continue to enhance our cybersecurity risk management program to protect the security of our computer systems, software, networks, and other technology assets against unauthorized attempts to access confidential information or to disrupt or degrade business operations. Our cybersecurity risk management program aligns to the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management framework and the National Institute of Standards and Technology ("NIST") Framework for Improving Critical Infrastructure Cybersecurity. Our program continues to evolve based on the changing needs of our business, the evolving threat environment, and FHFA regulatory guidance. Our cybersecurity risk management program extends to oversight of third parties that could be a source of cybersecurity risk, including customers that use our systems and third-party service providers. We examine the effectiveness and maturity of our cyber defenses through various means, including internal audits, targeted testing, incident response exercises, maturity assessments, and industry benchmarking. We continue to strengthen our partnerships with the appropriate government and law enforcement agencies and with other businesses and cybersecurity services in order to understand the full spectrum of cybersecurity risks in the environment, enhance our defenses, and improve our resiliency against cybersecurity threats. We also have obtained insurance coverage relating to cybersecurity risks. As of December 31, 2020, we have not experienced any material losses relating to cyberattacks (for additional information, see pages 164 – 165 of our 2020 Form 10-K).

Cybersecurity risk is overseen by the Board as well as the Risk Policy and Capital Committee and the Strategic Initiatives and Technology Committee of the Board. The Risk Policy and Capital Committee had responsibility for oversight of cybersecurity risk matters in 2020. Beginning in 2021, the Strategic Initiatives and Technology Committee also has oversight responsibility relating to cybersecurity risk matters. The Board has also delegated oversight authority for specified cybersecurity risk matters to certain management-level committees. The Board and the Risk Policy and Capital Committee engage in discussions throughout the year with senior management on cybersecurity risk matters and receive periodic reports from the company's chief information security officer and other senior officers, including updates on our cybersecurity program, the external threat environment, and the steps the company is taking to address and mitigate the risks associated with the evolving cybersecurity threat environment. Senior management also discuss cybersecurity developments with the Chair of the Risk Policy and Capital Committee and other Board members between Board and committee meetings, as appropriate. In addition, the Board and the Risk Policy and Capital Committee receive updates regarding assessments by external parties about the company's cybersecurity program. The company has procedures to escalate information regarding certain cybersecurity incidents to the appropriate members of the Board in a timely fashion. The Board reviews and approves the company's Cyber Risk Policy and Operational Risk Policy at least annually. The Board and its committees also have authority, as they deem appropriate to fulfill Board or committee responsibilities, to engage outside consultants or advisors, including technology consultants and cybersecurity experts (for additional information, see pages 183 – 184 of our 2020 Form 10-K).

Employee training

We require annual training regarding the use of technology for employees as well as contractors and consultants who have access to Fannie Mae technology assets. It is also part of the onboarding process for new employees, contractors, and consultants who have access to our technology assets. This training covers protecting Fannie Mae information and data, policy and standard controls, security best practices, and identifying and reporting potential cyber threats.

Procedures for cybersecurity threats and incidents

Information Security is responsible for detecting, investigating, and responding to information security threats and incidents that have a potential impact on Fannie Mae's information and technology environment. Information Security involves the Privacy Office for events involving the potential disclosure of confidential information that may result in regulatory, reputational, and/or financial impact to Fannie Mae. The Privacy Office initiates the Privacy Event Response Team ("PERT") in the case of such a privacy threat or incident. PERT is a cross-functional team charged with leading, analyzing, escalating, and communicating to ensure that clients, regulators, or other parties are appropriately notified of any privacy-related security incidents, where required by applicable law, contract, or regulation.

Cybersecurity threats and incidents

Information security risks for large institutions like Fannie Mae have significantly increased in recent years in part because of the proliferation of new technologies and the use of the Internet and telecommunications technologies to conduct or automate financial transactions. A number of financial services companies, consumer-based companies, and other organizations have reported the unauthorized disclosure of client, customer, or other confidential information, as well as cyberattacks involving the dissemination, theft, and destruction of corporate information, intellectual property, cash, or other valuable assets. There have also been several highly publicized ransomware cyberattacks where hackers have requested "ransom" payments in exchange for not disclosing stolen customer information or for unlocking or not disabling the target company's computer or other systems.

We have been, and likely will continue to be, the target of cyberattacks, computer viruses, malicious code, phishing attacks, denial of service attacks, and other information security threats. To date, cyberattacks have not had a material impact on our financial condition, results, or business. However, we could suffer material financial or other losses in the future as a result of cyberattacks, and these attacks and their impacts are hard to predict. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the current global economic and political environment, our prominent size and scale and our role in the financial services industry, the outsourcing of some of our business operations, the ongoing shortage of qualified cybersecurity professionals, our migration to cloud-based systems, our increased use of employee-owned devices for business communication, the large number of our employees working remotely, and the interconnectivity and interdependence of third parties to our systems.

Despite our efforts to ensure the integrity of our software, computers, systems, and information, we may not be able to anticipate, detect, or recognize threats to our systems and assets, or to implement effective preventive measures against all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. We routinely identify cyber threats as well as vulnerabilities in our systems and work to address them. Some cyber vulnerabilities take a substantial amount of time to resolve. In addition, efforts to resolve them may be insufficient. Further, these efforts involve costs that can be significant as cyberattack methods continue to rapidly evolve. Cyberattacks can originate from a variety of sources, including external parties who are affiliated with foreign governments or are involved with organized crime or terrorist organizations. Third parties may also attempt to induce employees, customers, or other users of our systems to disclose sensitive information or provide access to our systems or network, or to our data or that of our counterparties or borrowers, and these types of risks may be difficult to detect or prevent. For more information on our cybersecurity risks, see pages 49 – 50 of our 2020 Form 10-K and pages 144 – 146 our 2021 Q3 Form 10-Q.

Systemic risk management

FN-CB-550a.2 **— Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities.**

We use stress testing in risk management to monitor earnings at risk and risk metrics against our established risk limit framework. Additionally, stress testing supports capital adequacy planning to assess Fannie Mae's capital requirements and utilization under stress as well as in setting capital-level targets. Stress testing also informs business strategy decisions, such as operational planning, credit risk transfer usage, and other risk reduction considerations.

Mandatory and voluntary stress testing

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires certain financial companies to conduct annual stress tests to determine whether the companies have the capital necessary to absorb losses as a result of adverse economic conditions. Under FHFA regulations implementing this requirement, each year we are required to conduct a stress test using two different scenarios of economic conditions provided by FHFA: baseline and severely adverse. In conducting the stress test, we are required to calculate the impact of the scenario conditions on our capital levels and other specified measures of financial condition and performance over a period of at least nine quarters. We published our 2020 and 2021 stress test results for the severely adverse scenario on our website in August 2021, which includes results as of December 31, 2020, and 2019, respectively.

Fannie Mae's projected performance in the hypothetical severely adverse scenario has improved significantly since the implementation of the regulatory stress testing began with the 2014 Dodd-Frank Act reporting cycle. Fannie Mae's strong underwriting and prudent risk reduction practices have resulted in declines in risk exposures and hypothetical stress losses while allowing the company to maintain its mission to provide liquidity in all U.S. markets and through economic cycles.

In addition to stress testing conducted in accordance with Dodd-Frank Act requirements, we also conduct management stress tests to evaluate the impact of hypothetical economic conditions on our financial results and capital requirements. The scenarios are designed specifically to stress the risk factors most applicable to our business model.

Capital planning

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, including by the Federal Housing Finance Regulatory Reform Act of 2008 (together, the "GSE Act"), establishes minimum, risk-based, and critical capital standards for Fannie Mae and Freddie Mac. However, FHFA has suspended these capital classifications because we are under conservatorship. Although existing statutory and regulatory capital requirements are not binding during conservatorship, we continue to submit capital reports to FHFA and FHFA monitors our capital levels.

In 2017, FHFA directed Fannie Mae and Freddie Mac to implement an aligned risk measurement framework for evaluating business decisions and performance during conservatorship (the "Conservatorship Capital Framework" or "CCF"). The framework includes specific requirements relating to risk on our Book of Business and modeled returns on our new acquisitions. We were required to submit quarterly reports to FHFA relating to the framework's requirements during the years 2018 through 2020 as covered by this report.

Enterprise Regulatory Capital Framework

In November 2020, FHFA adopted a final rule establishing a new regulatory capital framework for Fannie Mae (the "Enterprise Regulatory Capital Framework" or "ERCF").[28] The new regulatory capital framework implements the statutory capital requirements and establishes supplemental risk-based and leverage-based capital requirements beyond what is expressly required in the GSE Act. The framework provides a granular assessment of credit risk specific to different mortgage loan categories, as well as components for market risk and operational risk. When fully implemented, the regulatory capital framework set forth in the ERCF will replace the CCF and includes the following:

a. Supplemental capital requirements relating to the amount and form of the capital we hold, based largely on definitions of capital used in U.S. banking regulators' regulatory capital framework. The final rule specifies complementary leverage-based and risk-based requirements, which together determine the requirements for each tier of capital;

b. A requirement that we hold prescribed capital buffers that can be drawn down in periods of financial stress and then rebuilt over time as economic conditions improve. If we fall below the prescribed buffer amounts, we must restrict capital distributions such as stock repurchases and dividends, as well as discretionary bonus payments to executives, until the buffer amounts are restored;

c. A requirement to file quarterly public capital reports starting in 2022, regardless of our status in conservatorship;

d. Specific minimum percentages, or "floors," on the risk-weights applicable to single-family and multifamily exposures, which has the effect of increasing the capital required to be held for loans otherwise subject to lower risk weights;

e. Specific floors on the risk-weights applicable to retained portions of credit risk transfer transactions, which has the effect of decreasing the capital relief obtained from these transactions; and

f. Additional elements based on U.S. banking regulators' regulatory capital framework, including the planned eventual introduction of an advanced approach to complement the standardized approach for measuring risk-weighted assets.

[28] On September 15, 2021, FHFA issued its Notice of Proposed Rulemaking to Amend the Enterprise Regulatory Capital Framework, indicating that FHFA is reviewing the ERCF.

Employee diversity and inclusion

FN-IB-330a.1 **— Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.**[29]

Representation by Racial or Ethnic Groups and Gender as a Percentage of Job Category by Calendar Year[30]

	Executive Management			Non-Executive Management			Professionals			All Other Employees		
	As of the final pay period of:			As of the final pay period of:			As of the final pay period of:			As of the final pay period of:		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Racial or Ethnic Group:												
Asian	**2.9**	3.0	— %	**28.9**	27.3	26.7 %	**38.0**	37.2	36.9 %	**9.0**	7.3	6.8 %
Women	**2.9**	3.0	—	**8.9**	8.6	8.1	**16.3**	16.4	16.4	**6.0**	5.5	5.1
Men	**—**	—	—	**20.0**	18.7	18.6	**21.7**	20.8	20.5	**3.0**	1.8	1.7
Black or African American	**14.7**	9.1	9.1	**8.5**	8.8	9.2	**13.6**	14.1	14.2	**56.0**	56.4	50.4
Women	**5.9**	3.0	3.0	**5.0**	5.3	5.8	**8.0**	8.3	8.7	**52.0**	50.9	44.4
Men	**8.8**	6.1	6.1	**3.5**	3.5	3.4	**5.6**	5.8	5.5	**4.0**	5.5	6.0
Hispanic or Latino	**—**	6.1	9.1	**4.3**	4.1	3.6	**5.7**	5.6	5.3	**10.0**	9.1	10.3
Women	**—**	—	—	**1.9**	2.0	1.9	**2.4**	2.5	2.5	**9.0**	8.2	8.6
Men	**—**	6.1	9.1	**2.4**	2.1	1.7	**3.3**	3.1	2.8	**1.0**	0.9	1.7
White	**79.5**	78.8	78.8	**56.1**	57.1	57.8	**40.4**	40.3	40.8	**23.0**	23.6	27.4
Women	**20.6**	18.2	30.3	**22.4**	23.5	23.7	**17.0**	16.9	17.1	**20.0**	21.8	24.0
Men	**58.9**	60.6	48.5	**33.7**	33.6	34.1	**23.4**	23.4	23.7	**3.0**	1.8	3.4
Native Hawaiian or Pacific Islander	**—**	—	—	**0.3**	0.2	0.2	**0.2**	0.3	0.3	**—**	—	—
Women	**—**	—	—	**0.1**	0.1	0.1	*****	0.1	0.1	**—**	—	—
Men	**—**	—	—	**0.2**	0.1	0.1	**0.2**	0.2	0.2	**—**	—	—
American Indian or Alaskan Native	**—**	—	—	**0.3**	0.6	0.4	**0.2**	0.2	0.2	**—**	—	—
Women	**—**	—	—	**0.1**	0.1	0.1	*****	0.1	0.1	**—**	—	—
Men	**—**	—	—	**0.2**	0.5	0.3	**0.2**	0.1	0.1	**—**	—	—
Two or more Races	**2.9**	3.0	3.0	**1.6**	1.9	2.1	**1.9**	2.3	2.3	**2.0**	3.6	5.1
Women	**—**	—	—	**0.7**	0.7	0.6	**0.9**	1.1	1.0	**2.0**	3.6	5.1
Men	**2.9**	3.0	3.0	**0.9**	1.2	1.5	**1.0**	1.2	1.3	**—**	—	—
Total Number of Employees	**34**	33	33	**1,443**	1,381	1,383	**6,074**	5,985	5,853	**100**	110	117

* Represents less than 0.05% of employees by job category

[29] Fannie Mae aligns its workforce to EEO-1 job categories as defined by EEO-1 Component 1 Job Classification Guide. Those included in the Executive Management category include those aligned with the EEO-1 category Executive/Senior Level Officials & Managers and are Fannie Mae leaders in SVP, EVP, President, or CEO roles (historically ~30 employees). As a result, this group is affected more significantly by small fluctuations in workforce demographics (i.e., individuals who leave and join within specific racial/ethnic groups). Those included in Non-Executive management include those aligned with the EEO-1 category First/Mid-Level Officials & Managers; those in the Professionals category include those aligned with the EEO-1 category Professionals; and those in the All Other Employees category include those aligned with the EEO-1 categories Technicians, Sales Workers, Administrative Support, Craft Workers, Operatives, Laborers & Helpers, and Service Workers. Demographic shifts across job categories may be attributed to changes in business initiatives and demand for specific roles and skills (i.e., technical, cloud, digital) and their requisite supply in the talent market. Fannie Mae has no employees outside of the United States.

[30] Data represented in the table is derived from Fannie Mae's EEO-1 reports which include employees as of the last day of the last pay period of the calendar year. The last pay period for the years above was Dec 18 - 31 for 2020, Dec 6 - 20 for 2019, and Dec 9 - 22 for 2018. Data may be rounded up or down by up to 0.1 percentage point to ensure column totals equal 100% for each job category by year.

Fannie Mae recognizes that a workplace built on promoting diversity and fostering inclusion are critical to the firm's success in achieving our mission to facilitate equitable and sustainable access to homeownership and quality affordable rental housing across America. We seek to attract and retain an agile, collaborative, and diverse workforce by creating an environment in which all employees are treated with dignity and respect, have the opportunity to contribute to the meaningful work in which we engage, and perform that work in an inclusive environment free from discrimination, harassment, and retaliation. These concepts are critical to our success; we support them by establishing and promoting policies that clearly articulate the importance of, and value we place on, diversity and inclusion, establishing a structure for our diversity and inclusion programs, providing training to help our employees internalize the concepts in our policies, and creating other programs intended to implement those concepts.

Policies

Fannie Mae's policies are accessible to all employees on its intranet and are generally reviewed and updated on at least an annual basis.

Our Equal Opportunity in Employment and Contracting ("EOEC") statement and our Employment Policy outline our prohibition against discrimination, harassment, and retaliation in the workplace and our commitment to equal opportunity for all employees. They articulate our commitment to providing reasonable accommodations to individuals with disabilities and to those who require workplace accommodations due to their sincerely held religious beliefs, observances, or practices. Our employees are entitled to certain basic protections in the workplace regardless of where they live or work, and our policies create broader protections for individuals than those contemplated by law. For example, our Non-Retaliation Policy extends protections to activity that might not rise to the level of "protected activity" under the law. Similarly, although not protected by federal law, our Employment Policy prohibits workplace bullying and discrimination on the basis of any system of social stratification, including caste or class-based discrimination.

The principles set forth above are important to our success. So important, in fact, that we require all employees immediately upon their hire, and on an annual basis thereafter, to review, participate in training, and commit to our Employee Code of Conduct (the "Employee Code"). Employees commit to recognizing and valuing every individual's unique skills and perspectives; demonstrating good corporate citizenship; treating one another with dignity and respect; and fostering a workplace free of discrimination, harassment, and retaliation. Fannie Mae embraces its principles of ensuring equal employment opportunities through our Diversity and Inclusion Strategic Plan. A key focal point of the plan is to cultivate an inclusive environment in which all employees have the opportunity to realize their full potential and receive support for their professional development goals. Key actions focus on inclusive leadership principles, talent development, enterprise-wide accessibility, and a consistent communications strategy that reinforces the practices of driving inclusion to achieve innovative solutions. Examples of actions include maintaining, developing, and implementing tools and resources to mitigate potential biases in employment decisions and creating targeted development actions for identified talent through succession plans and talent discussions. The framework for our Diversity and Inclusion program is set forth in Fannie Mae's Diversity and Inclusion Policy, which commits Fannie Mae to include and utilize minorities, women, individuals with disabilities, and minority-, women-, and disabled-owned businesses, in all Company activities, including management, employment, procurement, insurance, and all types of contracts, in balance with financially safe and sound business practices.

Fannie Mae's Diversity Advisory Council ("DAC") is an advisory working group of officers whose mission is to aid in the successful delivery of the Diversity and Inclusion ("D&I") Strategic Plan at the divisional and enterprise levels through the identification of opportunities and corresponding actions. Council members are responsible for gathering information regarding how their respective business areas are implementing and affected by diversity, equity, and inclusion ("DE&I") practices, while also working to disseminate DE&I information to their business areas. The DAC assists in monitoring and advising on the achievement of the company's D&I Strategic Plan and associated practices and initiatives.

Programs

As noted above, we require all employees to participate in Code of Conduct training on an annual basis to confirm their commitment to Fannie Mae's basic conduct expectations. In addition, Fannie Mae's diversity and inclusion training program provides comprehensive coursework for employees to build important skills and competencies to promote inclusion, including mitigating unconscious bias, cultural competence, and inclusive leadership. Employees are able to access, review, and register for these development resources through our internal learning platform and through virtual and in-person sessions. We offer training programs covering a variety of D&I subjects, including Fostering Inclusivity, the Housing and Economic Recovery Act ("HERA") of 2008 D&I awareness, the Business Case for D&I, How to Model Inclusive Behaviors, Inclusive Communications, and Civility. Fannie Mae has also sponsored a series of Courageous Conversations addressing issues of social justice and other relevant D&I topics, such as the importance of cultural fluency and authenticity in the workplace. Managers have been offered People Manager Essentials, an interactive, scenario-based training to promote awareness of employment laws, discrimination avoidance, and related Company policies.

Our Office of Minority and Women Inclusion ("OMWI") sponsors Fannie Mae's Employee Resource Groups ("ERGs"), which are voluntary, grassroots organizations of full-time employees serving as a resource for both group members and the Company. ERGs provide opportunities for employees to connect around common interests while furthering the Company's mission and business objectives. ERGs are employee-initiated and employee-led. They are open to all employees regardless of identity. ERGs work collaboratively with OMWI to support the D&I Strategic Plan commitments (e.g., fostering a diverse and inclusive workplace; attracting, engaging, and retaining a diverse workforce), as well as contributing to Fannie Mae's business strategy. ERGs provide a forum for members to come together to support professional growth and development, cultural awareness, education, community service, and networking across the organization; members also have an opportunity to interact with leadership and build mentor/mentee relationships.

We encourage and support flexible work. We encourage employees and managers to work together to creatively meet both business and individual needs. We believe this approach enhances performance, improves work quality standards, and positively contributes to employee morale — and gives individuals more control in how and when they get work done. This philosophy has eased our transition to a remote work environment necessitated by the COVID-19 pandemic. We recognize that employees are trying to balance their personal obligations and meet the needs of their professional lives. To support employees, we are making sure they are aware of the suite of resources and benefits available. For example, we retain licensed clinicians from our Employee Assistance Program to host small group COVID-19 emotional support sessions so that employees have opportunities to share their feelings, receive emotional support, and enhance their coping skills in safe supportive spaces.

Fannie Mae is committed to pay equity. We regularly review our pay practices and compensation structure for any potential pay disparities across gender or race. We analyze whether pay disparities may exist for comparable work (after controlling for objective factors that determine pay, such as job level and function, time-in-job, location, and performance), and how such disparities can be addressed.

Business ethics

FN-IB-510a.2 **— Description of whistleblower policies and procedures.**

Employee Code of Conduct

Fannie Mae has a robust internal compliance and whistleblower program founded on the Employee Code. The Employee Code outlines employees' responsibilities to "promptly raise compliance and ethics questions and concerns" and provides a description of the types of questions and concerns that should be raised. Each employee receives training on and certifies understanding and acceptance of the Employee Code at the inception of their employment and, thereafter, must certify their compliance to the principles in the Employee Code at least once each year. The Employee Code is available on our website.

To support employees in this endeavor, the Employee Code outlines several avenues by which employees may report suspicions of misconduct:

a. Employees may report questions or concerns to their manager, Human Resources, and/or to our Compliance and Ethics team via FM Ethics hotline or webline.

b. Employees may report their concerns anonymously, confidentially, and without fear of retaliation, through our internal reporting hotline at 1-888-FM-ETHICS (1-888-363-8442) or through the webline at www.fanniemae.com/fmethics.

c. Employees have the option to confidentially report potential wrongdoing directly to the Audit Committee of Fannie Mae's Board of Directors. The Code provides an email address, mailing address, and phone number to reach the Audit Committee.

Employees are also informed that they may raise potential violations or other inappropriate conduct externally to the Office of Inspector General at Fannie Mae's regulator/conservator, FHFA. Posters encouraging employees to notify the FHFA Office of Inspector General of suspicions of improper conduct are posted conspicuously within Fannie Mae's offices.

We also maintain Service Requirements for Contractors and Consultants (the "Service Requirements") that are publicly available on our website. Through our Service Requirements, suppliers who provide services to Fannie Mae are also informed of the channels through which they may contact our Compliance & Ethics team to report their concerns.

Beyond our employees and suppliers, any interested parties wishing to communicate any concerns or questions about Fannie Mae to the non-executive Chair of the Board or to our non-management directors individually or as a group may do so by email or mail at addresses provided on our website and in our 2020 Form 10-K.

Code of Conduct for Board of Directors

Fannie Mae's Code of Conduct for the Board of Directors (the "Board Code") includes provisions for encouraging the reporting of any illegal or unethical behavior. The Board Code provides that Board members should promote ethical behavior and take steps to ensure the company: (1) encourages employees to talk to supervisors, managers, and other appropriate personnel when in doubt about the best course of action in a particular situation; (2) encourages employees to report violations of laws, rules, regulations, or the Employee Code to the appropriate personnel; and (3) informs employees that the Company will not allow retaliation for reports made in good faith.

Interested parties wishing to communicate with the Audit Committee regarding accounting, internal accounting controls, or auditing matters may do so by email addressed to auditcommittee@fanniemae.com or by U.S. mail addressed to Audit Committee, c/o Office of the Corporate Secretary, Fannie Mae, 1100 15th Street, NW, Washington, DC 20005.

Professional integrity

FN-IB-510b.4 **— Description of approach to ensuring professional integrity, including duty of care.**

Employee Code of Conduct

Fannie Mae expects its employees to conduct themselves in a professional and respectful manner. Our employees' conduct supports the Company's mission and vision. In this regard, employees must avoid conflicts of interest or any other situation that might impair objective judgment while carrying out their job responsibilities. We expect every employee to adhere to the standards of workplace behavior, acting to prevent and/or immediately report any inappropriate conduct. Each year, we remind all current employees of the expectation that they behave professionally at all times and require them to take mandatory Employee Code training and, as part of that training, to certify that they have read and understood the Employee Code. Our Compliance & Ethics team tracks completion of this mandatory training by all employees. The "Message from the CEO" on p. 3 of the Employee Code notes that we require employees to commit to following the Employee Code. The Employee Code's principles reference key concepts relating to professional integrity, including: (1) Principle 3, which requires that employees be honest and trustworthy with respect to their business dealings; (2) Principle 4, which requires employees to obey relevant laws; (3) Principle 6, which requires employees to avoid conflicts of interest; and (4) Principle 8, which requires employees to follow the company's Employee Code and policies.

Code of Conduct for Board of Directors

Each Board member annually certifies compliance with the Board Code. The Board Code includes provisions covering the following: (1) conflicts of interest; (2) corporate opportunities; (3) confidentiality; (4) fair dealing; (5) protection and proper use of corporation assets; (6) compliance with laws, rules, and regulations; (7) insider trading; (8) full, fair, accurate, and timely public disclosures; and (9) encouraging the reporting of any illegal or unethical behavior.

3. Additional Resources

The resources provided below are included for readers seeking to learn more about some of the reports, policies, procedures, and practices referenced throughout this report. For more information on our environmental, social, and governance efforts, please visit Fannie Mae's ESG website.

The information included within the Additional Resources section was not subject to Deloitte's review and, accordingly, Deloitte does not express a conclusion, opinion, or any form of assurance on such information.

Reporting

Fannie Mae Third Quarter 2021 Form 10Q
Fannie Mae 2020 Form 10K
Fannie Mae 2019 Form 10K
Fannie Mae 2018 Form 10K
Annual Housing Activities Report (AHAR) and Annual Mortgage Report (AMR) 2020
Green Bond Impact Report 2020

Policies and practices

Single-Family Selling Guide
Single-Family Servicing Guide
Multifamily Selling and Servicing Guide
Employee Code of Conduct
Service Requirements for Contractors and Consultants
Code of Conduct for the Board of Directors
Sustainable Bond Framework

Mortgage product information

Single-Family Mortgage Products
Multifamily Mortgage Products and Specialty Financing

4. Assurance Report

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Fannie Mae
Washington, DC

We have reviewed management of Fannie Mae's (in conservatorship) (the "Company") assertion that the specified metrics referenced in the Sustainability Accounting Standards Board (SASB) Index included within the accompanying Fannie Mae 2020 Sustainability Accounting Standards Board (SASB) Report as of and for the years ended December 31, 2020, 2019, and 2018 (the "SASB Report") are presented in accordance with the criteria set forth in the SASB Index (the "criteria"). The Company's management is responsible for its assertion. Our responsibility is to express a conclusion on management's assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertion in order for it to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA. We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The procedures we performed were based on our professional judgment. In performing our review, we conducted inquiries and performed analytical procedures, and for a selection of amounts performed tests of mathematical accuracy of computations and reviewed supporting documentation in regard to the accuracy of the data in the specified metrics.

The preparation of the specified metrics referenced in the SASB Index requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported disclosures. Measurement of certain metrics could include estimates and assumptions that are subject to inherent measurement uncertainty. Obtaining sufficient, appropriate review evidence to support our conclusion does not reduce the inherent uncertainty in the metrics. The selection by management of different but acceptable measurement methods, input data, or model assumptions may have resulted in materially different metrics being reported.

The information included within the Introduction and Additional Resources sections of the SASB Report, including linked information, was not subject to our review and, accordingly, we do not express a conclusion or any form of assurance on such information.

Based on our review, we are not aware of any material modifications that should be made to management of Fannie Mae's assertion that the specified metrics referenced in the SASB Index included within the accompanying SASB Report as of and for the years ended December 31, 2020, 2019, and 2018 are presented in accordance with the criteria set forth in the SASB Index, in order for it to be fairly stated.

Deloitte & Touche LLP

December 17, 2021

Disclaimers: